

MEMORANDUM

TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

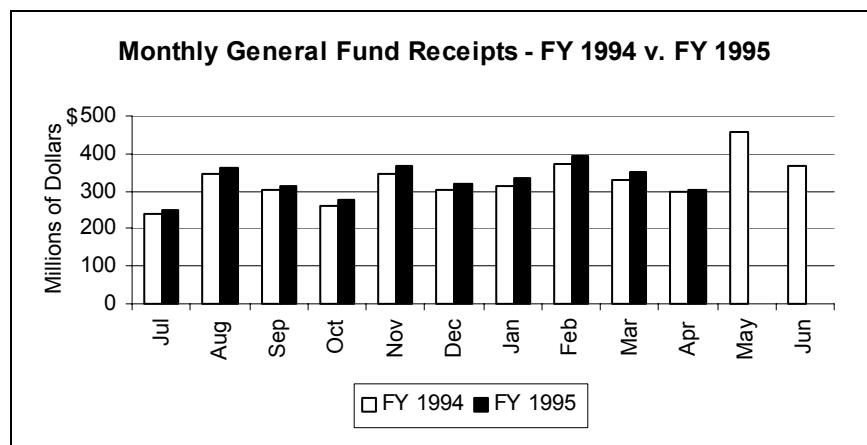
FROM: Dennis C. Prouty

DATE: May 1, 1995

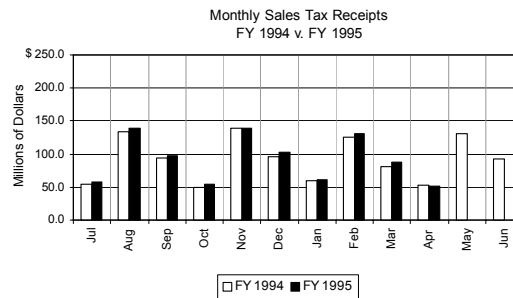
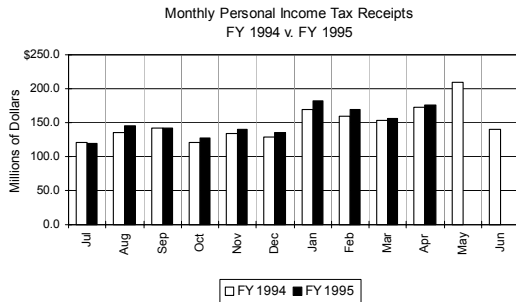
General Fund Receipts Through April 30, 1995

The attached spreadsheet represents General Fund receipts through April 30, 1995, with comparable figures for FY 1994. These can also be compared to the latest FY 1995 estimate (\$4.119 billion) that was set by the Revenue Estimating Conference (REC) on April 7, 1995. The REC estimate was increased from the December estimate by \$28.1 million (0.7%) to reflect strong year-to-date growth through the first nine months of FY 1995.

The December estimate for FY 1996 was increased \$8.5 million (0.2%) to \$4.259 billion at the April meeting, and refunds were adjusted downward. Receipts net of refunds increased by \$25.5 million (0.7%) over the December estimate. This estimate reflects an anticipated adjustment in the withholding tables by the Department of Revenue and Finance.



Total year-to-date General Fund receipts for FY 1995 increased 5.2% over FY 1994. Special taxes showed an increase of 4.8% during this same time period. Personal income tax receipts increased 4.2%. Sales tax receipts were 4.1% higher than the previous fiscal year. Use tax has increased 10.9% over FY 1994, and corporate income tax receipts showed a 16.9% increase. Total General Fund receipts for the month of April were 1.1% higher than April 1994; the lowest month-to-month growth rate experienced in FY 1995.



Personal income tax receipts for the month of April were 2.2% higher than April 1994. This follows a 2.7% increase in March. The low growth in March was attributed to a decline in payments from farm returns. The decline in April's growth is partially due to one less processing day in April 1995 compared to April 1994, and timing effects with respect to the school district surtax. Final return payments for non-farm individual income tax payers are due today.

Combined sales and use tax receipts in the month of April were 1.1% less than April 1994. In the last two months, however, these sources were 5.1% higher than the same two months in FY 1994. Timing factors and fewer processing days account for most of the performance of sales and use tax receipts in April.

The rate of growth in corporate income tax receipts has continued to decline. Receipts for April 1995, compared with April 1994, were 4.7% higher. The REC increased the corporate income tax estimate by 6.3% to a new level of \$253.2 million. To reach the latest REC estimate, corporate receipts in the last two months of FY 1995 need to be at least 9.1% higher than the last two months of FY 1994.

Year-to-date franchise tax receipts are 5.7% lower than one year ago, and receipts for the month of April are 28.5% lower than April 1994. Due to the fact that most banks file returns on a calendar basis, a large percentage of franchise tax receipts have yet to be collected. The REC revised the franchise tax estimate downward by \$1.5 million, largely due to increasing usage of investment subsidiaries.

Receipts from the insurance premium tax are considerably less than anticipated in December. Receipts through the end of April are 6.8% less than the same period a year ago. The REC estimate was adjusted downward by \$10.0 million (9.8%) to account for the reduction in year-to-date insurance premium tax receipts.

Receipts Compared to REC Estimate

The April REC estimate of 4.8% was exceeded by 0.4 percentage points through the first ten months of FY 1995. The tax sources most responsible for the growth are corporate and personal income tax. Combined, these taxes are 5.4% higher than a comparable period in FY 1994. The combined REC projection for these two taxes is 5.2%. Corporate and personal income tax receipts represent 53.3% of the year-to-date increase over FY 1994. The two sources made up approximately 51.0% of FY 1994 year-end receipts.

The April REC estimate for FY 1995 General Fund receipts is \$4.119 billion. This represents an increase of \$187.1 million (4.8%) over actual FY 1994. If receipts continue to grow at the same rate as the first ten months of FY 1995, the April estimate would be exceeded by \$17.3 million.

These estimates should also be viewed in the context of the tax sources driving the increase; specifically, corporate and personal income tax. Although corporate income tax historically represents only 5.0% to 6.0% of annual General Fund revenues, the tax is a significant source of errors in overall revenue forecasts. Similarly, the growth rate in personal income tax receipts typically declines in the last quarter of the fiscal year.

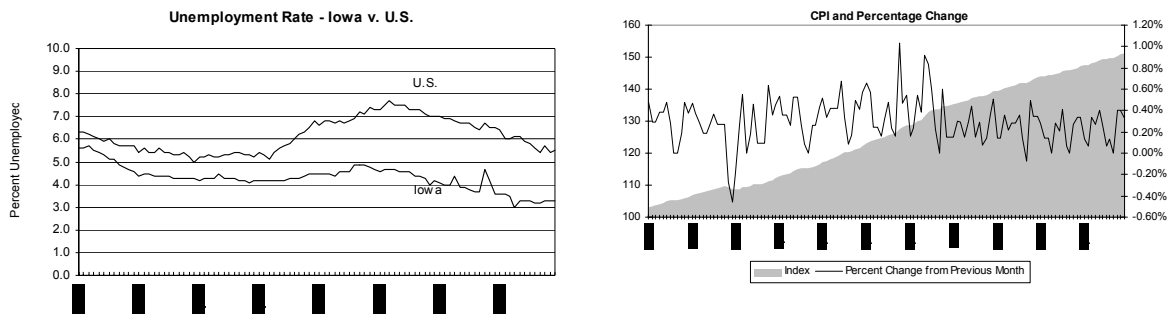
Obligations

School aid payments are to be paid in monthly installments, subject to the cash position of the State. The April payment for FY 1995 has been made, and all payments are scheduled to be completed by June 1995 (10.0% per month).

Status of the Economy

The seasonally adjusted percent unemployed for the State remained at 3.3% in March for the third consecutive month. The U.S. unemployment rate increased one-tenth of a percentage point to 5.5%. The average 1994 unemployment rate for Iowa and the nation was 3.6% and 6.1%, respectively.

Consumer prices in March increased 0.3 %, which is a slightly lower monthly increase than February. The Consumer Price Index (CPI) through March 1995 was 151.4 (1983=100), which is 2.9% higher than one year ago. The following series illustrate U.S. and Iowa unemployment comparisons and the CPI through March 1995.



We will be mailing special tax and economic performance reports on a monthly basis. Feel free to contact us for additional information or if you feel the report needs clarification.

GENERAL FUND RECEIPTS - PREVIOUS COMPARED TO CURRENT PERIOD					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars			
July 1, 1994, through April 30, 1995, in thousands of dollars					FY 94 Actual Compared to FY 95 REC Estimate			
	FY 1994	FY 1995	Year to Date % CHANGE	Apr % CHANGE	Actual FY 1994	Estimate FY 1995	% CHANGE	
Personal Income Tax	\$ 1,435,447.1	\$ 1,495,206.0	4.2%	2.2%	\$ 1,784.9	\$ 1,855.9	4.0%	
Sales Tax	886,843.9	923,052.4	4.1%	-2.2%	1,110.1	1,158.5	4.4%	
Use Tax	145,768.7	161,698.1	10.9%	2.5%	175.1	193.8	10.7%	
Corporate Income Tax	157,037.6	183,606.1	16.9%	4.7%	220.8	253.2	14.7%	
Inheritance Tax	71,055.6	73,204.3	3.0%	-19.0%	88.1	92.2	4.6%	
Insurance Premium Tax	52,306.6	48,754.5	-6.8%	11.4%	103.3	98.7	-4.5%	
Cigarette Tax	74,215.2	75,301.8	1.5%	-3.7%	91.6	93.6	2.2%	
Tobacco Tax	3,778.8	4,141.3	9.6%	0.6%	4.6	5.0	8.8%	
Beer Tax	10,269.1	10,355.7	0.8%	-2.6%	12.5	12.6	1.0%	
Franchise Tax	23,980.3	22,621.4	-5.7%	-28.5%	34.1	31.4	-7.8%	
Miscellaneous Tax	1,897.2	1,757.2	-7.4%	-218.2%	1.1	0.9	-20.4%	
Total Special Taxes	\$ 2,862,600.1	\$ 2,999,698.9	4.8%	0.3%	\$ 3,626.2	\$ 3,795.8	4.7%	
Institutional Payments	86,290.8	88,254.0	2.3%	-6.3%	105.5	106.8	1.2%	
Liquor Transfers:								
Profits	20,000.0	20,500.0	2.5%	0.0%	25.5	25.4	-0.4%	
7% Gross Revenue	7,500.0	7,500.0	0.0%	0.0%	9.0	9.0	0.0%	
Interest	6,051.1	12,641.8	108.9%	561.5%	7.9	17.0	114.9%	
Fees	44,480.7	46,196.0	3.9%	8.0%	55.6	55.3	-0.6%	
Judicial Revenue	36,026.7	39,438.8	9.5%	4.1%	43.6	48.1	10.2%	
Miscellaneous Receipts	37,983.4	36,114.1	-4.9%	-63.1%	47.9	40.0	-16.5%	
Parimutuel Receipts	7,441.8	20,090.9	170.0%	324.3%	10.2	21.2	107.7%	
TOTAL RECEIPTS	\$ 3,108,374.6	\$ 3,270,434.5	5.2%	1.1%	\$ 3,931.5	\$ 4,118.6	4.8%	